

PUBLIC AFFAIRS STAFF

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DEPUTY DIRECTOR JOHN McMAHON: You people have folks in the cold that you bring in every now and then. And I understand Tom Lennon is here from Juneau, Alaska, who's trying to find out what the Washington bureaucracy is about. So welcome to the real forest, Tom, and I'm sure you'll enjoy it.

I've often tried to figure out the dialogue that takes place between the Department of Agriculture and the Forest Service with the Department of Interior. And in exploring that and the turf and who does what to whom, I'm reminded of a story that was making the rounds a few months ago when Jim Watt was Secretary of Interior. And Max Peterson was talking to him about some mutual concern, and Max decided to get a little philosophical with him. And he said "Mr. Secretary." He said "Can you really tell me what happens when a tree in the forest falls and no one's there to witness it? Does it really make a sound?" And Watt's reply was "What is a tree doing in our forest?"

[Laughter.]

You folks also spend a lot of your life not only managing the forests, but also putting out fires. We've put out fires in an intelligence sense. Some people also accuse us of starting a few. But in all, we have a very exciting activity in our intelligence efforts in the United States, and they are indeed awesome.

Max spoke of the responsibility of the Director to coordinate and worry about the intelligence of the United States at large. And that is true, and it's an awesome task when you think of all the activities of the Army, Navy and Air Force, the DIA, NSA, and even the counterintelligence activities of the FBI, not

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to mention the intelligence efforts in the Department of Energy associated with the nuclear programs, or the Department of Treasury. And of course, then we have CIA. But trying to package all of this so that it makes sense, not only as far as accomplishment is concerned, but also for the taxpayer, to make sure that we don't have unnecessary duplication. And the whole responsibility of the Director, community-wise, is to make the whole budget by which all the different organs and agencies of the United States government work. He also approves the programs that they conduct, and is also responsible for tasking those organizations to do the things that he wants done.

More importantly, and which really helps our policy-makers, is that the product of all those worldwide efforts then flow back to CIA, where it is packaged in national packages, national papers, and given to our policy-makers so that, hopefully, they can make the right decisions.

One thing in intelligence, we're always very proud of the intelligence we produce, but we'll never go bad for the policy decisions made by those folks. BAIL

The agency itself in CIA is not like any other bureaucracy. It's rather unique, enjoys unique laws. Congress in its wisdom back in 1947 was clever enough to realize that you can't quite run an intelligence organization, particularly an intelligence collection organization, like you would run the Fish and Wildlife. And therefore, we do have unique latitude in conducting our government business, not the least of which is the ability to hire and fire people as we see fit and to pay them as we see fit, depending on the need.

The agency is broken into four parts. It has its typical administration, which provides the heat, light and power, like any other organization. But when you stop and look at it, it goes a little further than that. If you just look at the medical problems that we face, often overseas in unique places where there are no medical facilities, our people are also exposed to a great deal of stress, probably not much more stress than a fire-fighter has when something comes over his head. But there is a unique stress if you're walking up the backstairs of some sleazy hotel in the Near East to meet a foreman who's involved in a terrorist activity. Those folks don't take second answers, or they don't take second chances. And so wherever our people go overseas, it's not quite like running a bureaucratic organization. And so the demand on them, as well as their families, is considerable. They lead at least two lives. And they have to live within whatever cover umbrella we put them in, plus go out and do our business as well.

If you look at the ability just to move funds, a great

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deal of our activity takes place in countries where the currency is controlled. And yet somehow we're able to end up with the right amount of money at the right place at the right time. In fact, a good many of our financial transactions are some of the best clandestine operations we run, and I'm sure they make most bankers and anyone trying to clean up money stand in awe of our ability to do that.

We have a directorate which is responsible for science and technology and worrying about building those devices that permit us to acquire information technologically. And that goes to your simple James Bond type devices that our agents use, to larger systems that permit us to scoff up the information we need in the technical sense.

We have the operations directorate, which is our spies. They're responsible for our espionage. And they go out and conduct those operations to acquire the information that most governments attempt to deny us. And unfortunately, our adversaries don't enjoy the free press like we have here in the United States, and so we have to dig considerably in order to get our information.

It's interesting, though, that while clandestine operations and acquiring agents and handling them is a very inefficient process in trying to acquire information and also a very difficult one. You may work with a person for a year or two before he's willing to work for you. But the best card that we have in CIA is not a lot of money. We don't spend a lot of money to acquire agents, and we don't blackmail them. Our best calling card is the American way of life. And our job is to get into a dialogue with the people that we're interested in furnishing information to us and expose them to how Americans live, how they tick, and what the United States is all about. And as you stop to think of it and look around the world, there isn't another country in the world that can come close to us. We have a policy, regardless of administrations, of the dignity of the human being and the rightness that we project, and the goodness of people and values that we hold dear. And that is the card by which we use to cause people to work for us.

We have a very glib saying that says we don't recruit spies; we recruit patriots. And, indeed, that's the case, because these people come to work for us and provide us the secrets of their government, not to give it to the United States, but through the United States hopefully can make their country better. That's what they look for and that's what they aspire to.

The clandestine service or espionage program, as you know, is also responsible for running those operations that we

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call special activities and you now know, through our press, covert actions. And you have a great deal of noise about that. And really, it's unfortunate that it represents such a small bit of our activity that, yet, the way people look upon CIA is through the noise you see associated with those high visibility activities.

We find it's very difficult to run such activities in the United States. I often read it in The Washington Post before I read it in cables sent to me from the field. But that's the joy of the United States, and, in a way, that's why we all work. We would never want it any better. We would just maybe want to have the press a little more responsible than what it is.

The final directorate, the fourth directorate in the agency is the directorate of intelligence. And that's the reason why everyone in intelligence works, whether he's working with spies or working with technical equipment, or running logistics, which will get the right place -- the hardware to the right place at the right time. It's the organization that pulls it together and decides what it all means, and then publishes it. We have daily "pubs" that go out constantly. They do research and produce pubs over a time frame. We write national estimates, which gives the President and the National Security Council, for whom we work, the best insight on what's going to happen in any given country at any given time. And that itself is quite dramatic just to see unfold.

Our desire is to get that intelligence out to the policy-makers before they have to make the decision, so they can prepare for it. And whether they use it or not, at least they have to kick it aside to do what they want to do. And very few policy-makers will kick intelligence aside when it's staring them in the face without good reason. And so we keep a great pressure on to make sure that we give the policy-makers advance notice on anything.

We have in the agency a number of people that, with their backgrounds and with their degrees, would staff any moderate university in the United States. Their skills go from agronomists to zoologists. And we even produce papers which the punch lines might be slightly tongue-in-check. But the headline on one I read just a few weeks ago, by coincidence, was titled "The Logjam in the Soviet Timber Business." And indeed, they do have problems just moving the lumber that they cut. And so we have people that can reach into any walk of life and be an expert in it. And we call upon them to regurgitate their knowledge in the workings.

We spend a great deal of time drawing in academicians for one or two years so that we can stay current on the latest

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thinking or the latest evolution in whatever that research might be.

If you look at the scope of what we're called upon, it's dramatic. We obviously follow very closely the Soviet Union. In fact, most of our effort can be considered at any given time to be either collecting information about the Soviet Union or writing papers about it and analyzing it. And there's good reason for it. It's the only nation in the world that can obliterate us, if they want to. And so we try to stay on top of what they're doing and make sure there are no surprises, technologically or politically. And of course, when you look at the Soviet Union, you just don't look at the awesome military build-up that has taken place over the last few years. You look at what is happening in the political dynamics, which is today not much different than it was last year, or the year before that. It's all more of the same. But economically, it has a lot of problems. Economically, the Soviet Union spends 14% of its gross national product on military might. That's well over twice what the United States spends. And it's been doing that for well over a decade.

They do have problems, because here's a country that, over the decade, has grown one to two percent. Last year, it was up a little over three, but will fall back down again. And you have to ask yourself a question: how can a country keep putting that kind of investment into defense and not bring along the rest of the various sectors along with it. And the answer is that it can't. And the Soviets then turn to solving a lot of their problems by stealing the technology around the world. And they have a tremendous program, starting with the Politburo, going right down to the KGB and GRU, where they go out and steal Western technology.

You've read in the papers where in the past year over a hundred Soviets have been expelled from European countries for trying to steal their technology. They set up dummy firms. There are thirty dummy firms right here in the United States that order from other U. S. companies computers, microelectronics, and what have you. And our laws here do not go to stopping that. Our laws only go to the export of it. So the Soviets get it, digest it, see what it looks like, and either it goes out as household effects, or it goes up through Canada, where there are very little export controls, to a dummy company in Canada, and then over to the Soviet Union. And they do that with spades in Western Europe, and Western Europe technologically is competitive to the United States, particularly in the electronic world. The Soviets run over three hundred front companies in the ~~United States~~ *Europe* assuming all of this technology. And it goes right into military application. I don't care what form of military hardware you look it in the Soviet Union, you see that it was

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either made in the United States or Western Europe or Japan.

When we first intercepted the AWACS radar, we thought it was ours. We were right; it was ours, except it was on the Soviet airplanes. If you look at their look-down, shoot-down radars in their aircraft, it's the same look-down, shoot-down that we have in our F-16, one of our most modern airplanes. In any part of the Soviet Union where military hardware exists, there is something that comes from the West in it. So we spend a lot of time worrying about that. We spend a lot of time trying to energize the world to be watchful for that.

There was an article in France just a few weeks ago amazed at the United States and the ability of the United States to maintain two defense budgets, one its own, and one the Soviet Union's, because they know we are providing the Soviet Union with so much hardware we had to invest so much more just to stay even with ourselves and trying to get this awareness throughout the United States and academia, where the Soviets also attack. They'll send these students over here in exchange programs and go to our leading universities. They're all 42, 45 year old physicists. They go to M.I.T., to Stanford, and to Chicago, and they study nuclear physics, or what have you. And of course, we send over, in exchange, the liberal arts major who's interested in Soviet history, or music, or culture, or something of that sort.

So it's something we have to face, and we spend a lot of time trying to convince other people who can do something about it to do that.

If you look at the rest of the world, you see that you worry not only about the political events. We're called upon to be a global organization. We must worry about the Beagle Channel as much as we worry about Moscow. We have to worry about the Falklands, a little island known as Grenada. Every place in the world we're called upon to make sure that there are no surprises.

If you look at that world, though, you see that it's in dire trouble. The Third World, as we kindly refer to it now, owes something like \$800 billion. They can't make those payments on their debt, and, as a result, the bankers begin to foreclose, or they lose credit. When they can't use credit, they can't get the raw material which permits them to produce whatever they're producing in order to export to build up credit. So it's a never-ending cycle. And when you have this large debt that these countries face, then you get political instability. And when you get that instability, then that opens the door for communists, or whoever, to go in to cause dissension. And of course, that bothers us. And we see it happening right here in Central America, very close to home. And so those things draw a great deal of attention.

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On top of that, on top of the political analysis that one would normally associate with intelligence work, or economics, or technology transfer, we have that insidious growth industry known as terrorism. And fortunately we've been spared terrorism in this country, although overseas Americans over the course of the years have been leading targets for terrorists. Up to two years ago, Americans were the targets because they were the bankers. When a terrorist group needed money, they would kidnap the local American businessman, hold him for ransom, get paid, and then they would have their fiscal year funding. When that ran out, then they would kidnap the next one.

Two years ago, that took a turn. They decided to go after Americans and kill Americans, and they were killing them simply because they were Americans. And if you look at any statistic on terrorism, you see that Americans lead the chart. In the last eight or ten years, there have been well over 12,000 people killed or injured by terrorist events. And Americans, unfortunately, have more than their fair share of that statistic.

Not too long ago, we kept track of some fifty major terrorist organizations. They were big. They were bureaucratic. And we had a fair degree of success in penetrating them, and we could get agents into them because they were large. We could find out what they were up to. They're highly compartmented, as you can imagine. But it did permit us to neutralize different terrorist acts. And by neutralizing them, I don't mean that we go out and zap the terrorists. I mean we expose them to the local enforcement agencies, or, if they're moving weapons, we inert the weapons so they can't be used. And that's been going on very quietly.

But now in the last year and a half or so, there's been another hundred terrorist groups emerge. And these are mom and pop outfits. They're family affairs. If you're not a member of the family, you don't get it. And as a result, it's very difficult for us to get in to find out what is happening so we can take pre-emptive measures against that.

The Summer Olympics in Los Angeles is going to be a great drawing card for terrorism. They like to strike where there's a lot of publicity. It brings a lot of attention to their cause, as fanatical as that may be. And needless to say, the FBI and the Los Angeles Police Department are quite concerned on how to handle that and make sure there isn't a large event.

America basically has easy access. I know it's easy for the KGB, because they can come in through Canada or Mexico very easily. Just get in a car and drive across the border. Terrorists can do the same thing. And what we have to worry

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about is when Iran, who is now running a state-supported program to kill Americans and French, to export terrorism, will be coming to this country. They've been trying to do it overseas. They're knocking off any Iranian who's in exile, wherever he may be. And of course they're a lot of them here in this country as well.

In years past, we had Libya that would spend a lot of time training terrorists. But they were always very ineffective. Libya could never get its act together. Then Iraq. Then Syria. Now we have Syria very much involved in harboring terrorists, and then, of course, Iran, who's making it part of their foreign policy to do that.

So that worries us quite a bit.

On top of that, we have a thing known as narcotics, illegal drugs in this country. Last year, 41,000,000 Americans paid \$80 billion to buy illegal drugs in the United States. That begins to tear away at the very fabric of any society. And it has to be stopped. We're called upon to help expose the way that that trafficking takes place overseas. And of course, we all know the big producers, such as Colombia, pushing narcotics into this country through the Caribbean, or the flow of heroin coming out of the Golden Triangle; Pakistan, Afghanistan and Iran all contributing to the flow coming in through Italy and southern France into New York. And the problem with this is that there's so much money involved. You cut off one channel, and there's twenty more to take its place. You interdict one trafficker, and there's a hundred to take his place. They make so much money on one run that they'll buy a whole airplane just for a run and then leave it because it is such big business.

We also suspect, with a fair degree of accuracy, that some 40 to 50 billion of that 80 billion ends up here in the United States, in the shopping centers, in the apartment complexes, you name it, right here in River City. What we'd like to know is how does that get cleaned up. How do you get that dirty narcotics money and clean it up through this whole process so it ends up that way? So we spend a great deal of time trying to see how that international flow of money is taking place. I'm sure there's a lot of people in this country who walk around in pinstriped suits that kind of look the other way when day after day in their bank they see one million, two million, three million, five million dollars being turned around in the same account. And they never look beyond that account.

I think we're getting some laws passed in this country which will permit the FBI to begin and move in on things like that and start asking questions. But in the interim, we're called upon to tell everybody what's going on overseas and how is this all happening to impact here in the United States.

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I will pause for a moment, if I might, since I've run my quota, according to Jan, and be pleased to take any questions you may have.

[End of speech.]